By DAVID McGOVERAN

B2B Success Secrets, Part 3

As we learned last month, a business transaction manager, which offers business-to-business (B2B), exchanges the benefits a transaction manager brings to transaction processing systems. This and other concepts we've discussed through this column are not about IT per se, any more than B2B is about integration. Many readers apparently read "B2B" as identical with B2B integration (B2Bi), so let's clarify terms before continuing the discussion.

Every business's activities, by definition, pertain to goods and services. Those activities may be divided as to whether they involve consumption, creation, transformation, or provision of goods and services, some combination of these, or the management of such activities. Any of these types of activities may involve external business entities (including customers or consumers). For somewhat historical reasons, special emphasis has been given to B2B activities (those that involve other businesses) and to business-to-consumer (B2C) activities.

This definition doesn't introduce any technology. The definition of B2B and B2C — and what makes the concepts successful — is first and foremost a business issue. The B2B and B2C classifications pertain to activities by which the business interacts with external entities.

Certain types of business, such as pure B2B exchanges, wholesalers, or distributorships, may primarily conduct B2B activities. These businesses derive their revenues from other businesses. So, all the business activities of such firms are either B2B activities or support B2B activities. This has important implications for B2B success. Although it's common to think of B2B as being implemented by so-called public (external) business processes, virtually every so-called private (internal) business process is an essential element to the support of B2B activities.

Focusing on the public business process aspect of B2B can make the interaction between businesses more efficient and manageable. However, business activities in the public process depend on those in the private process. For example, a supply chain application requires information from the back-end inventory system. If any measure of supply chain management is required, that information must be conveyed and correlated across multiple business entities in the supply chain. With such information, alternative suppliers (a form of functional redundancy) can be selected or acquired as needed, and the entire supply chain made more robust.

Without an end-to-end or global perspective, B2B is an inherently fragile type of business and won't succeed. You mustn't arbitrarily divide a business process and then expect management, optimization, or business intelligence techniques to be meaningful. (Similar arguments apply to B2C, but the size of the consumer population will often randomize the effect.) This advice is due to the fact that B2B is a distributed system and susceptible to all the principles of distributed systems.

Nature is awash with distributed systems. B2B (and most other types of business) should be efficient, high-performance (agile), reliable, available, and scalable. As with a distributed information system, B2B will have these characteristics when certain design and operational principles are followed. For example, distributed system scalability requires a division into replicable units having a well-defined function with effectively dedicated resources. Ideally, the unit is portable and so is not bound to a physical location.

A franchise is a classic example of a business with these characteristics. Indeed, the degree to which a franchise is dependent on supplies from a single source often restricts its ability to grow. The individual functional units can be agile, being unencumbered by synchronization with many other business units. Simultaneously, unit similarity enables economies of scale, another way of saying global optimization or efficiency. Within a unit, local pressures of supply and demand encourage behavioral optimization. Together, they tend to balance workload across the franchise. Sheer redundancy improves availability and robustness.

Those engaging in B2B would do well to follow the example of the franchise, factoring in the advantages that e-business can bring. Build in business redundancy and alternatives, take a global management perspective, and use standards for agility. B2B failures can often be traced to a lack of scalability, availability, or agility. Of course, all of these are simply failures of enterprise integrity. eAI

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